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Administrative and budgetary questions

Fund of the United Nations International Drug Control Programme

Proposed final budget for the biennium 2000-2001 and proposed initial budget for the biennium 2002-2003

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations International Drug Programme (UNDCP) on the proposed final budget for the biennium 2000-2001 and the proposed initial budget for the biennium 2002-2003 for the Fund of UNDCP (E/CN.7/2001/14 and Add.1). During its consideration of the report, the Committee exchanged views with the Executive Director and other senior officials of the Programme, who provided additional information.

A. Budget format and presentation

2. Document E/CN.7/2001/14 contains the consolidated budget presentation of the proposed final budget for the biennium 2000-2001 and the proposed initial budget for the biennium 2002-2003, in accordance with the harmonized budget model also used by the United Nations Children's Fund and the United Nations Population Fund. Addendum 1 to the budget document contains the supplemental programme information narratives for 2002-2003, linked to the programme budget priorities and budgetary data, in a results-based budget framework.

3. The Advisory Committee welcomes the streamlining of the presentation and the combination into one document of the biennial support and programme budgets, as previously recommended by the Committee. However, the Committee recalls the

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comments made in paragraph 8 of its report E/CN.7/2001/10, regarding the need to further improve the format of the biennial support and programme budget, and recommends that the information contained in both documents under consideration (E/CN.7/2001/14 and Add.1) be combined into one single document, specifically incorporating the programme information in the addendum into part VI of the current document E/CN.7/2001/14. Furthermore, the Committee is also of the opinion that the presentation using results based budgeting techniques could be improved considerably. The Committee noted that what is referred to as results in some cases is actually a series of outputs. In this regard, the Committee draws attention to its comments and observations in chapter I, paragraphs 4-18, of its first report on the proposed programme budget of the United Nations for the biennium 2002-2003 (A/56/7).

4. As currently presented, the narratives in addendum 1 comprise situation analyses, objectives, strategies and results (including outcomes). They should be shortened to make them more concise and focused; addendum 1 should contain a precise description of attainable objectives, expected results and indicators of achievement. Outputs should show linkage with expected results. The Advisory Committee understands that detailed geographical information on country projects can be found on the UNDCP web site. There is no need, therefore, to repeat that information in detail in the budget document.

5. In addition, the Advisory Committee is of the opinion that the current practice of presenting revised estimates along with the proposed outline should be eliminated, unless there are substantial increases or changes in the operation of the programme and the support budget, requiring considerable revision. Such required adjustments would be presented in summary form to the Commission on Narcotic Drugs, through the Committee. The document containing the outline could also be shortened. The Committee is of the opinion that it should not be prepared as if it were a programme budget, but rather that it should serve as a projection of income and its future use, in accordance with the broad priorities in the strategic plan approved by the Commission.

B. Final support budget for the biennium 2000-2001

6. The final support budget for the biennium 2000-2001 is contained in part three of the report of the Executive Director (E/CN.7/2001/14). As shown in table 6, the final support budget for 2000-2001 amounts to $33,784,900, as compared to the revised support budget of $35,239,800. The difference results from a decrease in cost adjustments of $2,531,900, or 7.1 per cent, and an increase in volume changes of $1,077,000, or 3 per cent.

7. As indicated in paragraph 12 of the report, the resulting net decrease of $1.4 million comprises a decrease of $1.0 million at the field level and a decrease of $400,000 at headquarters. The Advisory Committee further notes that a large part of the volume increases relate to general operating costs such as rental of field offices, communications (para. 53) and unforeseen payments of computer workstation maintenance fees to the United Nations Office at Vienna (UNOV) at headquarters (para. 58). The number of posts in the staffing table remain unchanged at 203, with the transfer of a Programme Management Officer post at the P-4 level from the

Regional Office in South Africa to the Country Office in Nigeria (para. 52) and the reclassification of a P-4 post to the P-5 level for the Senior Programme Manager of the south Asia, east Asia and the Pacific programme in the Operation Branch at headquarters (see para. 57).

8. The Advisory Committee takes note of the information provided in annex III to the report of the Executive Director, containing the responses to recommendations and comments of the Committee and the Board of Auditors. In this regard, the Committee recalls that, in considering the revised support and programme budget for 2000-2001, it did not make any recommendation to modify the overall level of staffing, indicating that it would revert to the issue of the proposed reclassifications in E/CN.7/2001/9 in the course of its review of the proposed UNDCP budget for 2002-2003 (see E/CN.7/2001/10, para. 14). In its resolution 44/17, the Commission, taking into consideration the report of the Committee, inter alia, approved the revised 2000-2001 biennial support budget. Since the recommendation of the Committee on reclassifications did not lead the Committee to recommend a change in the overall revised level of the budget, the impact of the resolution of the Commission in the matter of reclassifications is thus unclear. The Committee has been assured by the representatives of the Executive Director that, in future, the UNDCP secretariat would draw to the attention of the Commission the specific recommendations of the Committee, well before the adoption of the budgets.

C. Proposed initial budget for the biennium 2002-2003

1. Income and expenditure projections

9. An overview of the budget and the financial situation of UNDCP is provided in part two and in tables 2 and 3 of document E/CN.7/2001/14. As indicated therein, income for 2000-2001 amounts to $131,166,000, compared to $141,891,300 for the biennium 1998-1999. For 2002-2003, income is estimated at $136,295,000 (including contributions, cost-sharing funds, public donations, interest income and miscellaneous income)—an increase of $5,129,000, or 3.9 per cent, over the current biennium. Of the total income figure projected for 2002-2003, an amount of $37,722,000 corresponds to general-purpose funds, reflecting a decrease of 0.9 per cent compared to the biennium 2000-2001, and an amount of $103,573,000 to special-purpose funds, reflecting an increase of 5.5 per cent.

10. In the light of previous experience, the Advisory Committee is of the opinion that the income projections in document E/CN.7/2001/14 appear optimistic. The Committee notes the increase in the level of contributions from $94,110,000 in the biennium 2000-2001 to $98,364,000 for the biennium 2002-2003, indicated in table 3. The Committee was informed that a number of measures had been initiated in order to restore and increase the level of contributions, such as efforts to widen the donor base, issuance of guidelines for fund-raising and a strengthening of the dialogue with the donor community. The Committee notes the information provided in part six of the report, section XV, on resource mobilization and new funding windows. The Committee recalls, however, that only modest success had been achieved in the efforts to broaden the base of financial support of UNDCP, as reported in the context of the submission of the initial budget for 2000-2001 (see

E/CN.7/1999/17, para. 18). Moreover, table A.1, in annex I to document E/CN.7/2001/14, shows that the number of countries providing voluntary contributions decreased from 55 in 1998 to 44 in 2001. In the initial biennial support budget for 2000-2001, projected income was $156,035,000 (see table 1 of E/CN.7/1999/17), whereas it has decreased, in the final estimates submitted, to $131,166,000 (see table 1 of E/CN.7/2001/14).

11. The Advisory Committee further notes that "the small increase in total income of $5,129,000, or 3.9 per cent" projected for the biennium 2002-2003, as compared to 2000-2001 (see part two, para. 29, and para. 9 above), is attributed entirely to increased cost-sharing funds, mostly from projects in Latin America. Moreover, the Committee notes, from the information contained in table 3, that there is a projected decrease of $1,000,100, as at 31 December 2001, under general-purpose funds—those used to fund the approved biennial support budget as well as those programme activities not funded by special-purpose earmarked contributions—and that, as at 1 January 2001, there was a decrease of $12,179,800. This development therefore calls for vigorous control of the management, administrative and programme support costs of the programme, in particular as it relates to headquarters expenditure.

2. Initial programme budget for the biennium 2002-2003

12. The Advisory Committee notes that the initial programme budget of $157,000,000 for 2000-2001 has decreased to $117,300,000 in the final estimates. In spite of that, the proposed initial budget for 2002-2003 is shown at $130,000,000. Paragraph 17 of the report of the Executive Director indicates that the estimates were developed "on the basis of a careful project-by-project analysis of funding currently available or likely to become available for the particular activities in question on the basis of current funding and indications of possible donor support". The Committee further notes from paragraph 34 that "priority projects", at an approximate cost of $20,000,000, are not currently included in the initial $130,000,000 programme budget, which would be implemented only if mobilization efforts succeeded in raising additional income. A corresponding amount was not identified for the current period in response to questions posed by the Committee. The ratio of programme to support is proposed to be maintained at around 77:23, and would increase to around 80:20, only if additional resources became available. The Committee notes that this procedure is followed to allow the programme to maintain the operational reserve at $12,000,000.

13. UNDCP programme priorities for 2002-2003 continue to be determined on the basis of established mandates indicated in paragraph 15 of the report. The operational activities are organized by the four thematic areas endorsed by the Commission (policy support legislation and advocacy; prevention and reduction of drug abuse; elimination of illicit crops; and suppression of illicit drug trafficking), and the work is organized at the country, subregional or global levels. Part six of the report and tables 21 and 22 summarize the programme budget for 2002-2003. The Committee, as indicated in paragraph 3 above, is of the opinion that the programme information, presented using results-based budgeting techniques, should be incorporated into that part of the document.

14. Table 21, shows increases and decreases in thematic areas compared to the revised budget for 2000-2001. As further indicated in paragraph 20, the most

substantial decrease is registered under global programmes, with a 50 per cent decrease compared to 2000-2001. That is mostly due to efforts made to decentralize activities to the country level, while maintaining at headquarters only those that can be more effectively or efficiently done centrally.

3. Initial support budget for the biennium 2002-2003

15. As indicated in part four of the report of the Executive Director, the proposed initial support budget for the biennium 2002-2003 amounts to $35,386,400, reflecting an increase of $1,601,500, or 4.7 per cent, over the final support budget for 2000-2001 of $33,784,900. As further indicated in paragraph 66 and table 6, the proposal reflects a volume decrease of $292,500, or 0.8 per cent, and costing changes of $1,894,000, or 5.6 per cent, compared to the previous biennium. The Advisory Committee notes, as indicated in paragraphs 13 and 73 of the report, that the initial support budget reflects the proposed new organizational structure of UNDCP, based on the recommendations of the Office of Internal Oversight Services contained in its report on the inspection of programme management and administrative practices in the Office for Drug Control and Crime Prevention of the Secretariat (A/56/83), and endorsed by the Committee for Programme and Coordination. The description of the proposed structure is contained in paragraph 73 and a revised organizational chart is provided in annex IV of the report of the Executive Director. The Committee further notes the statement in paragraph 13 that any "changes in the proposed organizational arrangements, following consultations with Member States and final approval by the United Nations Secretary-General, would be presented in the next revised budget within available resources".

16. As indicated in paragraph 7 of the report, the initial plan for 2002-2003 shows a resource utilization of 77 per cent going to programmes and 23 per cent going to support activities, compared to the target of 79:21 foreseen for 2000-2001. However, the Advisory Committee questions the rationale for the combined level of management and programme support costs, which for 2002-2003 is initially set at $38,380,100 (see table 2). Within that level, programme support at the country level decreases from $18,651,800 in the final estimates for 2000-2001 to $18,212,500 for 2002-2003, and, at headquarters, it increases from $6,212,300 to $6,892,500, while management and administration costs have risen from $8,920,800 to $10,281,600.

17. At the level of the country and regional offices the total volume decrease of $1,614,900, or 8.6 per cent, includes a decrease of $678,300 for staffing requirements (post requirements are reduced from 121 to 113), and savings are mostly due to streamlined administration of operating expenses, stricter control on travel and the fact that replacement of data-processing equipment took place during the current biennium. At the headquarters level, programme support shows a total volume increase of $369,200, mostly attributed to post transfers (see para. 21 below and para. 141 of the report), the inclusion of the maintenance costs of the Programme and Financial Information Management System in the support budget and the inclusion of the workstation support fee.

18. The budget for management and administration shows a volume increase of $953,200, which includes an increase of $449,300 for staffing resources, an increase for reimbursement to UNOV of $376,400 (explained in para. 20 below), and an increase of $441,400 related to the inclusion of the Information Support Unit under management and administration as from the biennium 2002-2003.

19. The Advisory Committee cautions that arbitrary classification of costs between programme costs and support costs can inflate programme costs, while administrative and management expenditure and programme support can be held artificially low with no apparent justification. This procedure, in turn, leads to artificially low support costs in relation to programme delivery. With that in mind, the Committee welcomes the increased transparency that results from the rationalization of support costs described in paragraphs 17 and 18 above. At the same time, it notes with concern that the increase in management and programme support costs at headquarters is proposed despite the considerable recent delegation of authority to the field mentioned in paragraph 96 of the report.

20. The Advisory Committee notes the information provided as to the reimbursement for support services, contained in table A.8 of the report, which shows a total initial amount of $2,390,800 for 2002-2003, compared to a final amount of $1,890,700 for 2000-2001. An amount of $1,376,400 covers the biennial reimbursement of administrative services provided by UNOV, now set at that level, as indicated in paragraph 164, under management and administration (hence the volume increase of $376,400 mentioned in paragraph 22 above). The services provided by UNOV consist of personnel services ($414,200), financial services ($451,600) and general services ($510,600), as shown in paragraph 92 of the report. The provision for reimbursement to UNOV, along with an amount of $400,000 for reimbursement to the Office of Internal Oversight Services, is included under the resources for programme support, management and administration. The Committee also notes the amounts of $400,000 and $214,400 that are to be provided as reimbursement to the headquarters and field offices, respectively, of the United Nations Development Programme for administrative services provided to UNDCP (see para. 97). Those amounts, however, are included in the resources under programme support, country offices.

21. The Advisory Committee notes that the staffing level under the support budget remains at 203 for the biennium 2002-2003. Upon enquiry, the Committee was informed that, in line with recommendation 4 of the Office of Internal Oversight Services, contained in document A/56/83, and taking into account the review of the reporting lines to the Executive Director, the total staffing of his office had been reduced from 12 to 8. The New York Liaison Office will henceforth report to the Director of the Division for External Relations, instead of the Office of the Executive Director. In addition, the Programme Support Service, which reported directly to the Executive Director under the old structure, is separated into a Finance Support Service, under the Division for Treaty Affairs, and a Management Advisory Unit, under the Division of Administrative and Common Services of UNOV. The Global Programme against Money Laundering, which also reported directly to the Executive Director, is now placed under the Division for Treaty Affairs.

22. At the field level, a reduction of seven posts (one Professional and six local-level posts) is proposed, in those "subregions where programme support can be reduced in line with lower programme delivery projected for 2002-2003" (para. 77). At the same time, seven posts carrying out functions at headquarters, hitherto included in the programme budget, are proposed to be transferred to the support budget (four Professional and three General Service posts) in the Technical Services Branch of the Division for Operations and Analysis "as a result of an analysis of the nature of their functions" (para. 13). The Advisory Committee further notes the

transfer of five posts (one P-5, one P-4, one P-3 and two General Service) related to the reinstatement of the Planning and Evaluation Unit described in paragraph 140 of the report. Several other transfers are indicated in table 15 and explained in the relevant narratives, but, on the whole, no programmatic justification is provided for the transfers. The Committee requests that this weakness be addressed in future.

23. Four upgrades are indicated in paragraph 81 and table 17: one D-1 for the representative at the Regional Office in Brazil, in view of the increase in both the programme volume in the region and the cost-sharing funds to be managed (see para. 41); a P-4 for a programme management officer in the Country Office in the Lao People's Democratic Republic (para. 125); a National Programme Officer in the Regional Office in South Africa (para. 109); and a P-4 for a speechwriter in the Public Information Unit of the Division for External Relations (para. 154). The Advisory Committee notes that the functions of the speechwriter are currently carried out at the D-1 level in the Division for Operations and Analysis, and that this D-1 post is being transferred to the Technical Services Branch, in the Division for Operations and Analysis, to establish the post of Chief of Branch (para. 142). The Committee recommends acceptance of the proposal

24. The Advisory Committee was informed that the structure reflected in the budget document is the subject of internal consultations with concerned departments and staff, and final clearance is awaited by the Office of the Secretary-General through the issuance of a revised ST/SGB. The Committee is of the opinion, on the basis of the information provided to it, that any further restructuring should await the adoption of the strategy regarding Africa and the formulation of a framework for the implementation of the Action Plan for the Implementation of the Declaration on the Guiding Principles of Drug Demand Reduction (General Assembly resolution 54/132, annex), priorities established by the Commission for action at its reconvened forty-fourth session in December 2001 and further consideration at its forty-fifth session in March 2002.

25. Paragraphs 84 to 90 refer to the issue of information technology. The Advisory Committee notes that the Information Support Unit of UNDCP has been administratively merged into the Information Technology Section of UNOV, but that it continues to provide substantive information management services, including strategic management, system design, development, maintenance and operation, as well as securing information to UNDCP and Member States. As indicated in paragraph 85, UNDCP also provides to UNOV a workstation support fee for normal automation systems and infrastructure services, initiated by UNOV in 2001, at $1,100 per workstation per year.

26. The Advisory Committee also notes that the need to upgrade the financial management capacity of the Programme was recognized as far back as 1995, and that, by 1999, UNDCP had acted to establish a new Programme and Financial Information Management System, known as ProFi. At the time of its consideration of the final programme budget for 1998-1999 and the initial programme budget for 2000-2001 (E/CN.7/1999/18), the Committee was informed that phase 1 of the System would cost between $450,000 and $700,000. Information provided to the Committee, upon enquiry, and data contained in table A.7 of the report of the Executive Director show the cost of phase 1 to be $1,700,000, and that of phase 2 estimated at $500,000. As indicated in paragraph 88, the implementation of phase 1, the core financial control component, should be completed in early 2002, whereas

that of phase 2, the programme and project management component, which will allow for transparent management monitoring of implementation at all levels and facilitate the planning and evaluation cycle, and which is in the preparatory planning stage, should start in early 2002, "subject to funding" (para. 89).

27. In the opinion of the Advisory Committee, the above indicates lack of proper planning in the context of an accurate estimate of resources and an implementation schedule within a specific time frame. The Committee questions the rationale for not providing resources for phase 2, which the Committee considers essential for planning, programme management and evaluation. The Committee requests the Executive Director to provide, in the context of the next budget proposals, the projected benefits in productivity and efficiency gains resulting from the implementation of ProFi.

28. The Advisory Committee was provided with a copy of the status report on implementation of the recommendations contained in the report of the Office of Internal Oversight Services (A/56/83) on the inspection of programme management and administrative practices in the Office for Drug Control and Crime Prevention. The Committee requests that the Executive Director provide the Committee with information on the results, including the impact on the management of UNDCP, of the implementation of those recommendations. The Committee emphasizes its interest in receiving information on the impact of improvements and changes resulting from the implementation of the recommendations of the Office of Internal Oversight Services, rather than lengthy descriptions of actions taken to implement them.